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SOME SIGNS POINT TO A SLIGHT IMPROVEMENT

Over the past few months, **there have been signals that economic activity has been on the rise in Pennsylvania.** Similarly, most indicators point to an uptick in activity in the nation as a whole. This pattern fits quite nicely with our expectations for moderate growth in the Commonwealth with month-to-month ups and downs. Currently, the economy is in one of the "up" phases.

This growth spurt is evident in the resident employment data. After growing at very sluggish annual rates of 0.1 and 0.5 percent in the first and second quarters, respectively, resident employment expanded at a 1.5 percent annual rate in July and August. Compared to a year ago, employment in August was up 103,000. This gain was strong enough to absorb an increase of 40,000 in the labor force and reduce the number of unemployed by 63,000. In fact, these figures, which are always the first piece of "economic" news released at the State level, show further improvement for the month of September. **Through the first eight months of this year, Pennsylvania's unemployment rate has averaged 5.9 percent, down from 7.4 percent in the first eight months of 1986. As shown in the accompanying table, this is the second steepest drop among the 11 largest states,** trailing only New York's 1.6 percentage point decline.

However, **there is also cause for concern when examining Pennsylvania's year-to-date performance relative to these states.** Over the January-August period, employment of Pennsylvania's residents was up just 0.6 percent from the first eight months of last year (see table). This represents the weakest showing among all 11 states with comparable data. We often take great pride in the fact that our jobless rate has dropped below those of such "growth" states as California and Texas. But our optimism should be tempered in light of the fact that employment in those states has grown at annual rates of 4.1 and 3.4 percent, respectively, considerably better than our performance here in Pennsylvania. On the labor force front, Pennsylvania is the only state to record a decline over the period. Indeed, Pennsylvania's numbers show just how careful one must be in interpreting the monthly employment data. While employment has grown 32,000 on a year-to-date basis this year, unemployment has dropped 89,000, resulting in a fall of 57,000 in the labor force.

Nonagricultural job levels continue their modest expansion in the Commonwealth as gains in the nonmanufacturing sector, especially in the service-producing area, continue to offset losses in manufacturing. The good news is that **the number of positions in our nonagricultural establishments has been at a record high in each of the past 9 months and settled at a seasonally adjusted 4.93 million in August, up 1,000 from July and nearly 120,000 from the year-ago reading. Again, the bad news appears when we examine our performance relative to the nation's.** So far this year, nonagricultural job levels have increased by 2.2 percent in the Commonwealth, quite similar to the 2.4 percent rise in the U.S. However, over the course of the recovery, the U.S. gain, at 13 percent since the 1982/1983 period, is nearly twice as large as the 7.3 percent job gain in Pennsylvania.

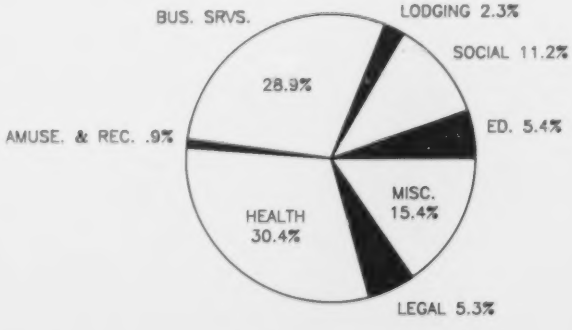
Last month's *Survey* identified the legal, social, and business services industries as exhibiting the strongest job growth rates among all services industries so far this year. The accompanying chart looks at the situation in a slightly different manner in examining the absolute number of jobs generated

1986-1987 (Jan.-Aug. period) labor force, employment, and unemployment growth for the 11 largest states (in thousands; numbers in parenthesis represent pct. changes)

	Labor force	Employment	Unemployment	Unemployment rate (percent) 1986	1987
CA	417 (3.1)	508 (4.1)	– 91 (– 9.9)	6.9	6.0
FL	289 (5.2)	293 (5.6)	– 4 (– 1.2)	5.8	5.4
IL	2 (0.0)	42 (0.8)	– 40 (– 8.2)	8.5	7.8
MA	22 (0.7)	35 (1.2)	– 13 (– 10.7)	4.0	3.5
MI	145 (3.3)	160 (4.0)	– 16 (– 4.0)	9.2	8.5
NJ	61 (1.6)	102 (2.8)	– 42 (– 20.0)	5.4	4.3
NY	93 (1.1)	225 (2.9)	– 133 (– 23.9)	6.6	5.0
NC	95 (3.0)	113 (3.7)	– 18 (– 10.1)	5.4	4.8
OH	12 (0.2)	48 (1.0)	– 36 (– 8.2)	8.3	7.6
PA	– 57 (– 1.0)	32 (0.6)	– 89 (– 21.3)	7.4	5.9
TX	267 (3.3)	247 (3.4)	20 (2.7)	8.9	8.8

Source: U.S. Dept. of Labor, Bur. of Labor Stats.

1986-1987 PA SERVICES JOB GROWTH SHARES

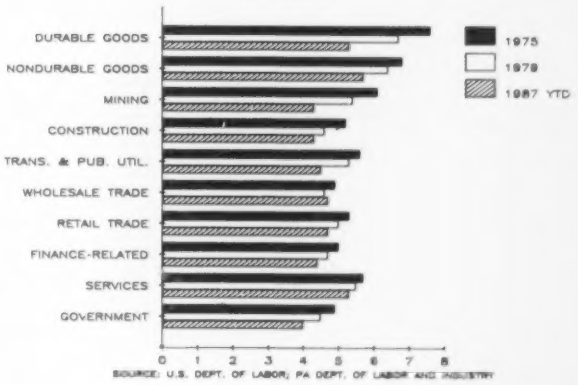


SOURCE: DEPT. OF LABOR AND INDUSTRY, RES. AND STATS. DIV.

by the individual services industries. The health and business services industries lead the way in generating nearly 60 percent of all new services jobs between the first eight months of 1986 and 1987. The other big contributors are the "miscellaneous" and "social services" categories in contributing over 25 percent of all new jobs.

Furthermore, despite the fact that job levels are on the upswing in all Pennsylvania industries except manufacturing and mining, **the Commonwealth continues to lose ground relative to the U.S. in nearly all industries,** as shown in the accompanying chart. Pennsylvania's share of U.S. jobs has fallen nearly continuously in all industry groupings except wholesale trade over the past decade or more. In wholesale trade, there was a slight improvement in the job share between 1979 and this year. This may be the result

PA'S SHARE OF U.S. JOBS BY INDUSTRY
(percent)



SOURCE: U.S. DEPT. OF LABOR, PA DEPT. OF LABOR AND INDUSTRY

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1987		1986	1987		1986	1987		1986
	July	*August*	*August*	*July*	*August*	*August*	*July*	*August*	*August*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,937	4,943	4,829	4,928	4,929	4,810	107.9	108.0	105.4
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,899*	3,899	3,774	3,890*	3,893	3,767	120.7*	120.8	116.9
Mining	31	31	34	30	30	33	62.5*	62.3	68.3
Contract construction	245	248	227	227	229	207	123.3	124.3	112.7
Transportation	133*	134	134	138*	138	139	85.6*	85.7	86.1
Public Utilities	107*	107	103	105	106	102	104.7*	105.1	101.4
Wholesale trade	275*	275	262	273*	274	260	123.1*	123.4	117.4
Retail trade	870	874	841	870	871	839	121.2*	121.5	117.0
Finance, insurance & real estate	293*	293	284	289*	289	280	132.6*	132.6	128.7
Service & miscellaneous	1,283*	1,283	1,227	1,278*	1,281	1,225	148.2*	148.5	142.0
Federal government	141	143	139	139	142	138	108.7*	110.9	107.9
State & local government	522*	513	524	540*	535	545	92.6*	91.8	93.6
Manufacturing									
No. of wage and salary jobs (thous.)	1,036*	1,042	1,049	1,038*	1,036	1,043	77.4	77.2	77.7
Durable goods	590	591	594	589	589	592	72.7*	72.8	73.1
Nondurable goods	447	451	455	451	447	451	84.7	84.0	84.8
Ave. wkly. hrs. worked by prod. workers	40.8	41.0	40.2	40.9	41.2	40.4	103.5	104.2	102.2
Total wkly. person-hours worked (mils.)	28.6*	29.0	28.6	28.8*	29.0	28.5	75.0*	75.5	74.3
Total wkly. payroll (mil. dols.)	284.0*	289.7	277.5	286.3*	290.9	278.6	127.4*	129.5	124.0
Steel production (thous. tons)	993*	1,051	581	n.a.	n.a.	n.a.	50.0*	55.3	30.5
Industrial electric power sales (mil. kwh)	3,737	3,827	3,341	3,748	3,770	3,334	101.5	102.1	90.3
Mining									
Anthracite coal (thous. net tons)	271	281	330	250	247	292	51.3	50.6	59.8
Bituminous coal (thous. net tons)	3,826	n.a.	4,092†	4,338	n.a.	4,594†	61.5	n.a.	65.1†
Construction contracts awarded (mil. dols.)									
Total	873.9	917.1	769.9*	668.5	897.1	698.3*	207.8	278.8	217.1*
Residential building	464.7	359.7	385.4*	363.1	309.8	322.4*	258.0	220.2	229.0*
Nonresidential building	278.9	372.2	185.6*	201.9	367.6	176.3*	186.1	338.8	163.1*
Nonbuilding (utilities and public works)	130.3	185.1	188.9*	103.5	219.7	199.0*	142.8	303.1	274.5*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,453	5,526	5,423	5,298	5,386	5,284	110.2	112.1	110.0
Unemployed									
No. of persons (thous.)	335	303	366	322	315	377	80.2	78.5	94.1
Rate (percentage of labor force)	5.8	5.2	6.3						
Rate, seasonally adjusted				5.7	5.5	6.6			
Civilian labor force, no. of persons (thous.)	5,787	5,829	5,789	5,620	5,701	5,661	107.9	109.5	108.7
Initial claims for unemployment benefits	93,945	63,113	82,335	88,357	80,122	105,325	61.7	56.0	73.6

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1987		1986	*Month Ago*	*Year Ago*
	July	*August*	*August*		
U.S. city average	340.8	342.7	328.6	+0.6	+4.3
Philadelphia	339.1	342.2	323.1	+0.9	+5.9
Pittsburgh	n.a.	341.7	330.1	n.a.	+3.5

[1] Total includes workers on strike. * = figure revised † = figure for July 1986 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

of Pennsylvania's favorable geographic location and recent improvements in our infrastructure network, especially our system of roads and highways, which allows for more efficient transportation and shipment of final and intermediate goods. So, in a nutshell, while the employment and job numbers do suggest that the Pennsylvania economy is growing, we are failing to improve our standing relative to the nation as a whole.

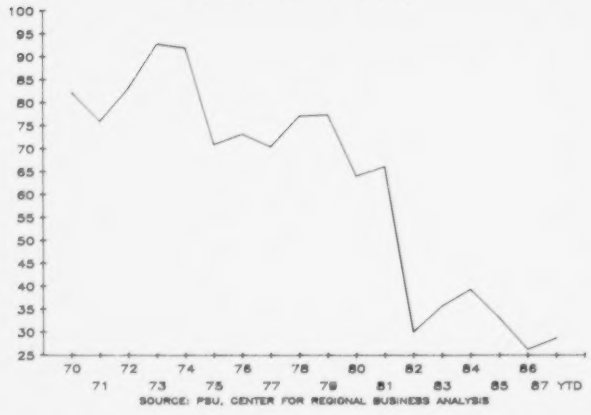
Other indicators also point towards an expanding economy in the Commonwealth. On the manufacturing front, **total hours worked, the average workweek, and total payrolls each rose during August. Electricity sales to industry, a reliable barometer of industrial production, rose for the fourth straight month** after adjusting for seasonality. Additionally, **average daily steel production rose,** just as it has been doing since the resolution of the USX labor dispute. However, as shown in the accompanying chart, steel output in Pennsylvania is still far below the healthy levels of several years ago.

Construction indicators also pointed up during August as job levels and the value of contracts awarded both rose. The gain in contract awards was the result of a strong showing in the nonresidential building and nonbuilding categories. The value of residential awards fell for the month.

The fourth straight monthly increase in the Pennsylvania index of leading indicators suggests that **the economy is in little danger of slumping in the near-term.** It is quite possible that the current strength being shown in the economy will continue for at least a few more months. Still, even if this occurs, when stacked upon a rather sluggish first half of the year, the end result will be moderate growth for 1987 as a whole.

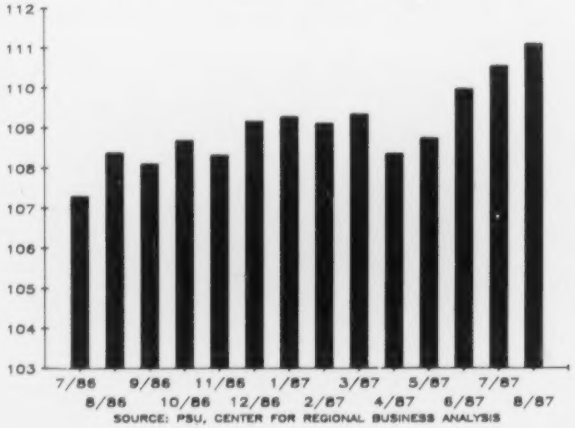
— William D. Anderson

PA AVERAGE DAILY STEEL PRODUCTION
(thousands of tons)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

Penn State Football Contributes to Local Economy

Direct expenditures by out-of-town fans attending Penn State football games in 1986 contributed more than $20 million dollars to the State College regional economy. When "indirect" expenditures are taken into account as the original outlays circulate through the economy, total expenditures amount to over $40 million. Clearly, football-related expenditures by these fans, defined as those living at least 25 miles from State College, represent a significant injection into the local economy.

As shown in the accompanying table, stadium expenses for such items as tickets, parking, and programs, account for the bulk of expenditures. However, expenditures in local restaurants, for lodging, and for retail shopping also are in the seven-digit range. The table also illustrates the far-reaching impact of football. Not only does it help generate expenditures for such goods and services as those cited above, but it also results in outlays for such items as commercial transportation, food and beverages at retail outlets, entertainment, and child-care.

These figures underestimate the total "extra" economic impact of Penn State football on the State College region. They do not take into account the expenditures "kept home" that might have been made elsewhere by local fans, including University Park students, in the absence of football. Also,

fans traveling to and from games have an impact on regions outside the State College area as they make expenditures in these communities.

— *William D. Anderson*

(This is a summary of a paper dealing with the economic impact of Penn State football on the economy of the State College area during the 1986 season. The availability of the paper will be announced in an upcoming issue of the Survey.)

Estimated expenditures by category and economic impacts of football weekends
(spent within 25-mile radius of State College by nonresidents)

Category	Expenditure Estimate
Stadium expenses	$ 8,283,600
Restaurants	2,693,100
Food and beverages in retail stores	588,100
Admission fees	103,400
Bars, night clubs, and lounges	743,200
Clothing and equipment for games	801,700
Other retail shopping	1,793,500
Lodging expenses	2,075,100
Personal and health expenses	41,300
Private auto expenses	984,800
Commercial transportation	247,800
Baby sitter fees	25,100
Equipment rentals	17,900
Donations	105,100
Other expenses	1,944,900
Total direct nonresident expenditures	$ 20,448,600
Multiplier for State College region	1.97
Total income generated for season	$ 40,283,700
Average income generated per game	$ 5,754,800

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